
PRESBYTERY OF SOUTH LOUISIANA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013



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INDEPENDENT AUDITORS' REPORT

Council of the Presbytery of South Louisiana
Baton Rouge, Louisiana

We have audited the accompanying consolidated financial statements of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to previously present fairly, in all material respects, the consolidated financial position of the Presbytery of South Louisiana and its Subsidiaries as of December 31, 2013 and 2012, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 16 through 18 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014, on our consideration of the Presbytery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Presbytery's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 23, 2014

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,673,673	\$ 1,634,888
Restricted cash	765,713	721,072
Investments	7,130	5,855
Accounts receivable	24,849	27,030
Total current assets	<u>2,471,365</u>	<u>2,388,845</u>
<u>NON-CURRENT ASSETS</u>		
Investments	860,376	825,586
Other assets	8,840	-
Property and equipment, net	1,337,327	1,346,765
Property - held for sale	257,187	197,187
Total non-current assets	<u>2,463,730</u>	<u>2,369,538</u>
Total assets	<u><u>\$ 4,935,095</u></u>	<u><u>\$ 4,758,383</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 57,876	\$ 19,238
Accrued liabilities (see Note 14)	390,000	-
Other liabilities	46,326	52,682
Total current liabilities	<u>494,202</u>	<u>71,920</u>
<u>NET ASSETS</u>		
Unrestricted, undesignated	788,690	1,199,179
Unrestricted, internally designated	2,856,865	2,737,379
Total unrestricted	3,645,555	3,936,558
Temporarily restricted	765,713	721,072
Permanently restricted	29,625	28,833
Total net assets	<u>4,440,893</u>	<u>4,686,463</u>
Total liabilities and net assets	<u><u>\$ 4,935,095</u></u>	<u><u>\$ 4,758,383</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues:</u>				
United Mission support	\$ 273,538	\$ -	\$ -	\$ 273,538
Per capita assessments	132,886	-	-	132,886
Contributions	523,537	199,998	-	723,535
Investment income	21,674	17,543	792	40,009
Hurricane disaster recovery	-	-	-	-
Change in unrealized gain on investments	48,183	-	-	48,183
Other	254,955	-	-	254,955
Total revenues	<u>1,254,773</u>	<u>217,541</u>	<u>792</u>	<u>1,473,106</u>
Net assets released from restrictions	<u>172,900</u>	<u>(172,900)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,427,673</u>	<u>44,641</u>	<u>792</u>	<u>1,473,106</u>
<u>Expenses:</u>				
Program services	663,301	-	-	663,301
Support services	383,547	-	-	383,547
Hurricane disaster recovery	-	-	-	-
Other retreat expenses	275,808	-	-	275,808
Litigation expenses (see Note 14)	396,020	-	-	396,020
Contribution to Project Homecoming, Inc. (see Note 15)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,718,676</u>	<u>-</u>	<u>-</u>	<u>1,718,676</u>
Change in net assets	(291,003)	44,641	792	(245,570)
Net assets at the beginning of year	<u>3,936,558</u>	<u>721,072</u>	<u>28,833</u>	<u>4,686,463</u>
Net assets at the end of year	<u>\$ 3,645,555</u>	<u>\$ 765,713</u>	<u>\$ 29,625</u>	<u>\$ 4,440,893</u>

The accompanying notes are an integral part of these consolidated financial statements.

2012

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 248,517	\$ -	\$ -	\$ 248,517
137,468	-	-	137,468
811,030	317,348	-	1,128,378
26,978	18,841	428	46,247
-	500,801	-	500,801
29,165	-	-	29,165
175,377	-	-	175,377
<u>1,428,535</u>	<u>836,990</u>	<u>428</u>	<u>2,265,953</u>
<u>1,271,880</u>	<u>(1,271,880)</u>	<u>-</u>	<u>-</u>
<u>2,700,415</u>	<u>(434,890)</u>	<u>428</u>	<u>2,265,953</u>
361,792	-	-	361,792
388,906	-	-	388,906
500,801	-	-	500,801
216,753	-	-	216,753
-	-	-	-
<u>520,939</u>	<u>-</u>	<u>-</u>	<u>520,939</u>
<u>1,989,191</u>	<u>-</u>	<u>-</u>	<u>1,989,191</u>
711,224	(434,890)	428	276,762
<u>3,225,334</u>	<u>1,155,962</u>	<u>28,405</u>	<u>4,409,701</u>
<u>\$ 3,936,558</u>	<u>\$ 721,072</u>	<u>\$ 28,833</u>	<u>\$ 4,686,463</u>

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (245,570)	\$ 276,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,782	96,529
Donated property	(60,000)	-
Change in unrealized gain on investments	(48,183)	(29,165)
Realized gain on investments	(11,356)	(14,082)
Non-cash contribution to Project Homecoming, Inc.	-	257,721
Change in accounts receivable and other assets	(6,659)	112
Change in accounts payable, accrued payroll taxes and withholdings, and other liabilities	<u>422,282</u>	<u>93,619</u>
Net cash provided by operating activities	<u>130,296</u>	<u>681,496</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(70,344)	(17,108)
Purchases of investments	(14,743)	(268,732)
Proceeds from sales of investments	<u>38,217</u>	<u>314,099</u>
Net cash (used in) provided by investing activities	<u>(46,870)</u>	<u>28,259</u>
 Net increase in cash and cash equivalents	83,426	709,755
 Cash and cash equivalents - beginning of year	<u>2,355,960</u>	<u>1,646,205</u>
 Cash and cash equivalents - end of year	<u>\$ 2,439,386</u>	<u>\$ 2,355,960</u>

The accompanying notes are an integral part of these consolidated financial statements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery) conform to accounting principles generally accepted in the United States of America and the prevailing practices within the not-for-profit industry. The Presbytery's subsidiaries are the Presbytery of South Louisiana Feliciana Retreat Center, the Presbytery of South Louisiana Hurricane Recovery (in 2012), the Presbytery of South Louisiana Peace Church, and the Presbytery of South Louisiana Young Adult Volunteer Program. All significant intercompany accounts and transactions have been eliminated in consolidation. A summary of significant accounting policies is as follows:

Organization

The Presbytery consists of all churches and ministers of the Word and Sacrament in South Louisiana and is a corporate extension of these churches and ministers. The Presbytery is responsible for the mission and government of the churches throughout South Louisiana.

The Retreat Center provides a retreat setting with facilities for workshops and conferences, a summer camping program, and various specialized programs throughout the year in an attempt to nurture and revitalize the Christian growth of individuals and the mission of the churches.

The South Louisiana Hurricane Recovery provided recovery efforts to areas impacted by Hurricanes Katrina, Rita, Gustav and Ike. Its primary focus was to help re-establish area churches and congregations. The Presbytery of South Louisiana voted in October 2011 to create a separate corporation and transfer Hurricane Disaster Recovery operations to that entity which would be called Project Homecoming, Inc. Project Homecoming, Inc. received their non-profit corporate charter in April 2010 and their 501(c)(3) approval was received in August 2011. During 2012 the spin-off between Project Homecoming, Inc. and Hurricane Disaster Recovery occurred, and certain assets were transferred from Hurricane Disaster Recovery to Project Homecoming, Inc. See Note 15 regarding the transfer of assets from Hurricane Disaster Recovery to Project Homecoming, Inc. No activity occurred in 2013 other than the agency transactions disclosed in Note 13.

The Young Adult Volunteer Program offers opportunities in Christian service and learning for young adults between the ages of 19 to 30 in areas of need. The program responds to the realities of disaster in the lives of individuals and communities by allowing agencies and congregations in the greater New Orleans area to receive the assistance and skills of Young Adult Volunteers.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

Income taxes

The Presbytery is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Louisiana Revenue and Taxation Code Section 17.22(a). Due to their church affiliation, a tax return is not required to be filed. Accordingly, no provision for income taxes has been made; however, should the Presbytery engage in activities unrelated to the purpose for which it was created, taxable income could result. The Presbytery had no material unrelated business income for the years ending December 31, 2013 and 2012.

In Management's judgment, the Presbytery does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using the straight-line method, based on the estimated useful lives of the assets which range from 3 to 30 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized as income for that period.

The Presbytery owns property that is being actively marketed for sale at year end. Accordingly, the property is recorded at the lower of cost or fair value and is reported as assets held for sale in the accompanying statements of financial position.

Investments

Investments are stated at fair value (see Notes 10 and 11). Unrealized gains and losses are recorded in current year operations as increases or decreases in unrestricted net assets. Dividend, interest and other investment income is recorded as an increase in unrestricted net assets unless the use is restricted by the donor.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Donor restrictions

The Presbytery accounts for contributions in accordance with FASB ASC relating to accounting for contributions received and contributions made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Presbytery in perpetuity.

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions on the Statements of Activities.

The Presbytery reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Presbytery received one such donation, valued at \$60,000 during the year ended December 31, 2013. However, the Presbytery intends to sell this asset. Thus, it is reported as held for sale at December 31, 2013. The Presbytery received no such donations during the year ended December 31, 2012.

Allowance for uncollectible accounts

An allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Receivables are closely monitored during the year, and all accounts considered to be uncollectible are written-off when such conclusions are reached. As of December 31, 2013 and 2012, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established.

Statements of cash flows

For purposes of the statements of cash flows, cash and cash equivalents includes all restricted and unrestricted checking accounts, savings accounts, and amounts invested in money market accounts.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Property and Equipment

Property and equipment consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 500,456	\$ 500,456
Buildings	2,036,880	2,036,880
Furniture and equipment	<u>340,361</u>	<u>336,509</u>
	2,877,697	2,783,845
Less: accumulated depreciation	<u>(1,600,867)</u>	<u>(1,527,080)</u>
	1,276,830	1,346,765
Construction in progress	<u>60,497</u>	<u>-</u>
Total property and equipment	<u>\$ 1,337,327</u>	<u>\$ 1,346,765</u>

The Presbytery held property for sale recorded at \$257,187 and \$197,187 in New Orleans, LA at December 31, 2013 and 2012, respectively. No depreciation is being recorded on the properties being held for sale.

3. Internally Designated Net Assets

The Presbytery designated a portion of its unrestricted net assets for the following programs at December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Church Development Fund	\$ 819,983	\$ 772,762
Denham Springs Church Fund	-	86,762
Peace Church Fund	766,946	884,634
Office Maintenance Fund	69,971	56,099
Salary Match Grants	119,908	121,323
Gentilly Church Proceeds	640,437	683,294
CPUMI Proceeds	258,792	-
Other Internally Designated Net Assets	<u>180,828</u>	<u>132,505</u>
	<u>\$ 2,856,865</u>	<u>\$ 2,737,379</u>

4. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
The Bloomfield Fund	\$ 12,945	\$ 12,879
Roberta H. Browning Fund	12,824	12,771
Presbytery Endowment Fund	<u>3,856</u>	<u>3,183</u>
	<u>\$ 29,625</u>	<u>\$ 28,833</u>

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2013 and 2012, respectively, were available for the following programs:

	<u>2013</u>	<u>2012</u>
Leona Crawford Fund	\$ 9,769	\$ 9,481
Storm Recovery	44,646	21,357
Young Adult Volunteer Fund	93,718	100,412
Ann Cook Campbell Fund	67,630	65,637
Cuba Partnership Fund	6,725	6,921
PSL - Disaster Operations	98,756	98,888
History of Presbyterianism in South Louisiana Fund	34,283	33,273
New Pentecost Fund	6,609	6,415
Preparation for Ministry Fund	54,868	54,188
Texas Foundation for New Orleans Campus Ministry Fund	108,831	114,684
Grand Bayou Families Grant	15,056	14,612
Feliciana Retreat Center Worship Center	18,240	2,336
Church Development Western Area	37,183	36,550
Other Temporarily Restricted Net Assets	<u>169,399</u>	<u>156,318</u>
	<u>\$ 765,713</u>	<u>\$ 721,072</u>

6. **Commitments and Contingencies**

The Presbytery is a guarantor on several loans taken out by churches operating in southern Louisiana. The loans are owed to the Presbyterian General Assembly with total monthly payments of approximately \$4,500 with various interest rates ranging from 3.50% to 5.0%. The terms of the loans range from 6 to 19 years. The Presbytery would be responsible for such loans should the corresponding churches be unable to satisfy such commitments. The Presbytery has pledged various pieces of property to mortgage as security on the loan guarantees. At December 31, 2013 and 2012, the outstanding balances on these loans totaled approximately \$339,000 and \$433,000, respectively.

7. **Endowment Disclosure**

The Presbytery holds three endowments which are held in trust at a local financial institution. No funds have been drawn from the endowments over the last two fiscal years. Appropriation of endowment assets for spending must be requested in writing to the trustee. The trustee has a committee to review all requests. For the years ending December 31, 2013 and 2012; endowed net assets were \$29,625 and \$28,833, respectively.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Net Assets Released from Donor Restrictions

The following restrictions were satisfied during the years ended December 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Other Funds	\$ 19,799	\$ 70,440
Urban New Church Development	-	22,005
Young Adult Volunteer Fund	145,670	152,329
Storm Recovery	5,431	1,866
Preparation for Ministry Fund	2,000	3,500
Hurricane Disaster Recovery Fund	-	1,021,740
	<u>\$ 172,900</u>	<u>\$ 1,271,880</u>

9. Concentration of Credit Risk

The Presbytery maintains its temporary cash investments with several qualified financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

10. Investments

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2013, were as follows:

	<u>December 31, 2013</u>			<u>Estimated</u>
	<u>Amortized</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Fair</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Value</u>
Mutual funds	\$ 703,032	\$ 119,369	\$ 8,455	\$ 813,946
Equities	30,037	23,523	-	53,560
	<u>\$ 733,069</u>	<u>\$ 142,892</u>	<u>\$ 8,455</u>	<u>\$ 867,506</u>

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2012, were as follows:

	<u>December 31, 2012</u>			<u>Estimated</u>
	<u>Amortized</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Fair</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Value</u>
Mutual funds	\$ 715,472	\$ 75,435	\$ 765	\$ 790,142
Equities	30,037	11,262	-	41,299
	<u>\$ 745,509</u>	<u>\$ 86,697</u>	<u>\$ 765</u>	<u>\$ 831,441</u>

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Disclosures about fair value of financial instruments

The *Fair Value Measurements and Disclosures* topic of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Presbytery has the ability to access.
- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Mutual funds: valued at the net asset value of shares held by the Presbytery at year end.

Certificates of Deposit: the carrying amounts reported in the statements of financial position for certificates of deposit approximate fair value because these assets are highly liquid.

Common stocks: valued at the closing price reported on active market exchanges.

Corporate Bonds: the fair values are estimated based on quoted market prices for those investments in an active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Presbytery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Disclosures about the fair value of financial instruments (continued)

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Blend	\$ 273,788	\$ -	\$ -
Growth	64,024	-	-
Bond	367,913	108,221	-
Equities			
Blend	53,560	-	-
	<u>\$ 759,285</u>	<u>\$ 108,221</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Blend	\$ 243,533	\$ -	\$ -
Growth	52,700	-	-
Bond	380,516	113,393	-
Equities			
Blend	41,299	-	-
	<u>\$ 718,048</u>	<u>\$ 113,393</u>	<u>\$ -</u>

12. Letter of Credit

The Presbytery has a standby letter of credit agreement with a financial institution with a maximum borrowing capacity of \$400,000 at a rate of 1.50% per year, related to the appeal bond for the pending litigation in Note 14. The agreement has a termination date of August 16, 2014, with optional renewal increments of one year. The Presbytery has pledged an investment of \$400,000 related to the letter of credit.

13. Agency Transactions

After the spin-off of Project Homecoming, Inc. on January 1, 2012, the Presbytery became an agent in transactions between grantors and Project Homecoming, Inc. This grant activity was for Americorps totaling \$148,298 and \$368,082 in 2013 and 2012, respectively. Presbytery is also an agent in transactions from the Presbyterian Disaster Assistance (PDA) and Project Homecoming, Inc. These agency transactions totaled \$500,000 and \$100,000 for the fiscal years ended December 31, 2013 and 2012 respectively. These agency transactions have been properly excluded from the consolidated statements of activities.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Pending Litigation Status / Contingency

The Presbytery is currently a defendant in a legal action brought by the Carrollton Presbyterian Church of New Orleans where the court initially held that the trust provision over property in favor of the Presbyterian Church USA set forth in the PCUSA Book of Order was unenforceable under Louisiana law. Carrollton also sought an order requiring the Presbytery to pay Carrollton's attorney's fees on the basis that the Presbytery should not have defended the case. On August 21, 2013, the district court granted that motion and awarded Carrollton \$390,000 plus interest as provided by law. By law, the legal interest begins to run on the date of the award and not before.

The Presbytery filed a motion for new trial which, as of December 31, 2013, had not yet been heard. The Presbytery intends to seek a suspensive appeal. In doing so, the Presbytery must obtain an appeal bond, which will be the amount of the judgment plus legal interest up to the date the bond is furnished to secure the appeal. Accordingly, a \$390,000 contingency liability has been accrued in the financial statements at December 31, 2013.

15. Transfer of Assets from Hurricane Disaster Recovery to Project Homecoming, Inc.

As mentioned in Note 1, the spin-off between Project Homecoming, Inc. and Hurricane Disaster Recovery occurred during 2012. The Presbytery negotiated the transfer of operations of Hurricane Disaster Recovery to Project Homecoming, Inc., which began on January 1, 2012 and finished on September 30, 2012. A three year lease was signed effective September 1, 2012, allowing Project Homecoming, Inc. use of the Volunteer Village. Certain assets and agreements of Hurricane Disaster Recovery were also transferred to Project Homecoming, Inc. in 2012, as outlined in the final memorandum of understanding. The final memorandum of understanding was signed between the Presbytery and Project Homecoming, Inc. on October 13, 2012. The Presbytery's contribution to Project Homecoming, Inc. totaled \$520,939 during the fiscal year ended December 31, 2012 which included cash, investments, property and equipment and other assets. Also, as part of the final memorandum of understanding certain receivables and payables were forgiven between the two entities. As of December 31, 2013 and 2012, the Presbytery has outstanding payables of \$37,903 and \$49,086, respectively, to Project Homecoming, Inc. See Note 13 regarding the related agency transactions that remain between the two entities.

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 23, 2014, and determined that the following disclosure is necessary. On April 7, 2014, the district court in the legal action brought by the Carrollton Presbyterian Church of New Orleans heard and denied the Presbytery's motion for new trial. The Presbytery is in the process of perfecting its suspensive appeal by completing the appeal bond in the amount of \$403,000 to cover principal and interest through the date of posting the bond and covering the estimated appeal costs for the record on appeal in the amount of \$16,680. No other events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION

Other Revenues

Other revenues earned during the years ended December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Meal revenues	\$ 98,539	\$ 67,285
Lodge revenues	137,528	93,987
Other	18,888	14,105
	<u>\$ 254,955</u>	<u>\$ 175,377</u>

Program Service Expenses

Program service expenses incurred during the years ended December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Care and development of church professionals	\$ 8,907	\$ 10
Committee on ministry	2,885	4,361
Nurturing congregations	256,560	10,938
Preparation for ministry	5,728	1,400
Strategy for Presbytery mission	266,316	235,766
Young Adult Volunteer Program	122,905	109,317
	<u>\$ 663,301</u>	<u>\$ 361,792</u>

Support Services

Expenses relating to support services consisted of the following during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Communication expenses	\$ 1,073	\$ 6,178
Finance expenses	12,513	14,250
Governing body expenses	62,397	33,869
Office staff expenses	86,669	82,653
Professional staff expenses	71,300	70,698
Office, travel, and other	58,971	63,737
Peace Church expenses	4,076	8,953
Feliciana Retreat Center expenses	46,785	53,459
Young Adult Volunteer expenses	6,766	12,539
Depreciation	32,997	42,570
	<u>\$ 383,547</u>	<u>\$ 388,906</u>

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION

Other Expenses

Other expenses related to the operations of the Feliciana Retreat Center consisted of the following during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Wages and benefits	\$ 118,364	\$ 88,832
Kitchen expenses	80,492	43,979
Utilities	20,847	15,622
Insurance	14,681	22,872
Maintenance and janitorial	5,100	5,071
Contract services	7,687	5,155
Telephone expenses	7,597	6,277
Office expenses	2,320	1,205
Other	<u>18,720</u>	<u>27,740</u>
	<u>\$ 275,808</u>	<u>\$ 216,753</u>

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SUPPLEMENTAL INFORMATION
HURRICANE RECOVERY
PRESBYTERIAN DISASTER ASSISTANCE
YEAR ENDED DECEMBER 31, 2013

Revenues

PDA Hurricane Recovery Grant Katrina/Rita	\$ 500,000
PDA Hurricane Recovery Grant Isaac	<u>7,000</u>
Total PDA Grants	<u>507,000</u>

Operating Expenses

Project Homecoming	500,000
Hurricane Isaac Recovery Operations	<u>18,161</u>
Total Operating Expenses	<u>518,161</u>

Net Hurricane Recovery revenues and expenses	<u><u>\$ (11,161)</u></u>
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PRESBYTERY OF SOUTH LOUISIANA
REPORTS ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS

DECEMBER 31, 2013



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Council of the Presbytery of South Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery or Organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Presbytery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Presbytery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Presbytery's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Presbytery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2013-3.

The Presbytery's Response to Findings

The Presbytery's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Presbytery's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Presbytery's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Presbytery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pastlethurite & Netterville

Baton Rouge, Louisiana

June 23, 2014

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2013

FINDINGS—Financial Statement Audit

2013-1 Internal Control Over Financial Reporting

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Presbytery, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over year-end GAAP financial statements by the Presbytery is not sufficient. This is a repeat finding from the prior year.

Cause: During the audit, we noted that one of the subsidiaries of Presbytery was accounting for revenues and expenses as direct entries to net assets. We assisted management in making reclassifying journal entries to correct the presentation of revenues and expenses to be in accordance with generally accepted accounting principles (GAAP). Also, the following accounts required adjustment in order for them to properly reflect end of year balances: net assets, fixed assets, accrued liabilities and investment income.

Effect: The Organization has a significant deficiency in their internal control over financial reporting.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements, as well as year-end adjustments.

View of Responsible Official and Planned Corrective Action

Management acknowledges that modifying the accounting system for its subsidiary was not scheduled for 2013 as it was for the primary accounting system for the Presbytery. The experience of implementing a new chart of accounts in 2013 will be beneficial in performing a similar change in its subsidiary. Management, therefore, recommends to the supervising body of its subsidiary that the chart of accounts for that subsidiary be redefined for implementation in 2015.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2013

FINDINGS—Financial Statement Audit (continued)

2013-2 Segregation of Duties

<u>Criteria:</u>	Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.
<u>Condition:</u>	It was noted that improper segregation of duties is not in place specifically over the activities of cash receipts as the office administrator performs the duties of both handling cash and checks received by the Presbytery as well as recording and depositing these receipts into the accounting system. This is a repeat finding from the prior year.
<u>Cause:</u>	Due to the limited number of personnel working for the Presbytery, many of the critical duties are combined.
<u>Effect:</u>	The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.
<u>Recommendation:</u>	A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that someone other than the office administrator open the mail and maintain a receipts log.

View of Responsible Official and Planned Corrective Action

Management acknowledges the deficiency in lack of segregation of duties created by the limited number of staff. This has been considered by Council (Board of Directors) and Presbytery (Corporation) previously and both bodies have accepted the deficiency given the limited staffing. It shall continue to be addressed and management shall continue to supervise these functions to prevent mishandling of funds.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2013

FINDINGS—Financial Statement Audit (continued)

2013-3 Monitoring of Agency Transactions

<u>Criteria:</u>	The pass-through agency is responsible for assuring that sub-recipients are complying with the terms of the grant.
<u>Condition:</u>	The Organization passes through funds for the Americorps grant received from the State of Louisiana Office of the Lieutenant Governor to Project Homecoming, Inc. During our audit we noted that Presbytery is not providing oversight over the required elements of the Americorps program. These include but are not limited to the required match for the grant, participation in training events, and reporting requirements for member information, program performance, and finances. This is a repeat finding from the prior year.
<u>Cause:</u>	The Organization, as the pass-through agent, is aware of the compliance requirements of the grant however, they have experienced difficulties in obtaining documentation for the required elements of the program.
<u>Effect:</u>	The Organization is non-compliant with sub-recipient monitoring requirements of the Americorps grant.
<u>Recommendation:</u>	The Organization should monitor and track all reporting and compliance requirements for grants received during the year.

View of Responsible Official and Planned Corrective Action

Management acknowledges its lack of oversight of the required elements of the Americorps program with regard to sub-recipient monitoring. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) at their respective next meetings. In future years, the Organization shall request annual representation letters from Project Homecoming, Inc., acknowledging and certifying compliance with grant requirements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS—Financial Statement Audit

2012-1 Internal Control Over Financial Reporting

<u>Criteria:</u>	The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Presbytery, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).
<u>Condition:</u>	As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over year-end GAAP financial statements by the Presbytery is not sufficient. This is a repeat finding from the prior year.
<u>Cause:</u>	During our work on net assets, we discovered that the Presbytery was accounting for revenues and expenses as direct entries to net assets. We assisted management in making reclassifying journal entries to correct the presentation of revenues and expenses to be in accordance with generally accepted accounting principles (GAAP).
<u>Effect:</u>	The Organization has a material weakness in their internal control over financial reporting.
<u>Recommendation:</u>	The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS—Financial Statement Audit (continued)

2012-1 Internal Control Over Financial Reporting (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges dependence upon the auditor selected by the Council (Board of Directors) for preparing the financial statements. Recommendations were presented to Presbytery (the Corporation) for preparation of the books beginning in 2013. It is acknowledged this will be a partial consolidation and that additional consolidations will be scheduled at a later date. Management shall continue to monitor each set of books on a monthly basis and assist the selected auditor with making a consolidated annual audit of all books.

Further, management acknowledges that accounting for revenues and expenses as direct entries to net assets is a deficiency inherited from a previous administration. Recommendations were made to Council (Board of Directors) and Presbytery (Corporation) for a new chart of accounts which will bring reporting of these revenues and expenses in line with Generally Accepted Accounting Practices and that the changes were implemented beginning in 2013.

Current status: P&N notes that management has implemented the new chart of accounts for one of their entities which has improved financial reporting however a significant deficiency over financial reporting still exists. See finding 2013-1.

2012-2 Segregation of Duties

Criteria: Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.

Condition: It was noted that improper segregation of duties is not in place specifically over the activities of cash receipts as the office administrator performs the duties of both handling cash and checks received by the Presbytery as well as recording and depositing these receipts into the accounting system. This is a repeat finding from the prior year.

Cause: Due to the limited number of personnel working for the Presbytery, many of the critical duties are combined.

Effect: The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS–Financial Statement Audit (continued)

2012-2 Segregation of Duties (continued)

Recommendation: A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that someone other than the office administrator open the mail and maintain a receipts log.

View of Responsible Official and Planned Corrective Action

Management acknowledges the deficiency in lack of segregation of duties created by the limited number of staff. This has been considered by Council (Board of Directors) and Presbytery (Corporation) previously and both bodies have accepted the deficiency given the limited staffing. It shall continue to be addressed and management shall continue to supervise these functions to prevent mishandling of funds.

Current status: Not resolved. See finding 2013-2.

2012-3 Timely Submission of the Financial Statement and Compliance Audit

Criteria: LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.

Condition: The financial statements and compliance audits were submitted after the six month time frame.

Cause: The Organization was unaware of the compliance requirements related to the grants received by Project Homecoming until late in the fiscal year. Therefore, this is a repeat finding.

Effect: The Organization is out of compliance with the statute.

Recommendation: The Organization should monitor and track all reporting and compliance requirements for grants received during the year. In addition, the Organization should submit their financial statements within the six month period in the coming fiscal year.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS—Financial Statement Audit (continued)

2012-3 Timely Submission of the Financial Statement and Compliance Audit (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges its failure to be aware of the compliance requirements related to the Fiscal Agent Agreement it executed with Project Homecoming, Inc. Management reported this to Council (Board of Directors) and Presbytery (Corporation) at their respective meetings. Management shall coordinate with the selected auditor to make every reasonable attempt to avoid late reports in the future. It is acknowledged that the timing of discovery of this deficiency did not allow on time filing of the 2012 compliance audit reports in 2013, however, every effort was made to minimize the amount of time the filing was late.

Current status: Resolved.

2012-4 Monitoring of Agency Transactions

<u>Criteria:</u>	The pass-through agency is responsible for assuring that sub-recipients are complying with the terms of the grant.
<u>Condition:</u>	The Organization passes through funds for the Americorps grant received from the State of Louisiana Office of the Lieutenant Governor to Project Homecoming, Inc. During our audit we noted that Presbytery is not providing oversight over the required elements of the Americorps program. These include but are not limited to the required match for the grant, participation in training events, and reporting requirements for member information, program performance, and finances.
<u>Cause:</u>	The Organization, as the pass-through agent, was unaware of the compliance requirements of the grant.
<u>Effect:</u>	The Organization is non-compliant with sub-recipient monitoring requirements of the Americorps grant.
<u>Recommendation:</u>	The Organization should monitor and track all reporting and compliance requirements for grants received during the year.

PRESBYTERY OF SOUTH LOUISIANA
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012

FINDINGS—Financial Statement Audit (continued)

2012-4 Monitoring of Agency Transactions (continued)

View of Responsible Official and Planned Corrective Action

Management acknowledges its lack of oversight of the required elements of the Americorps program with regard to sub-recipient monitoring. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) at their respective next meetings. In future years, the Organization shall request annual representation letters from Project Homecoming, Inc., acknowledging and certifying compliance with grant requirements.

Current status: Not resolved. See finding 2013-3.